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SUBJECT: DONKEY CARTS BY DIOR: CASABLANCA GOES UPSCALE

1. (SBU) Summary: An explosion of high-end stores has hit Casablanca in the past few years, causing one magazine to declare luxury a new sector in Morocco. While some view the luxury boom as evidence of newfound upward mobility, others believe the rich are just getting richer, though it is not always clear how. Many not-so-wealthy Casablangans find the trend in high-end consumption troubling, seeing it as a harbinger of social unrest rather than a sign of economic progress. From our perspective, this is all the more reason why education and job-creation initiatives remain vital. End Summary.

LUXURY, A NEW SECTOR

2. (U) Over the past few years, Casablanca has burgeoned. One major thoroughfare boasts crystals, jewelry, and leather goods. A few doors down from Bulgari, purveyor of luxury jewelry and leather goods. In the tony Maarif section of town, wealthy shoppers can outfit themselves at Cavalli, Lacoste or Dior, which opened in June 2007, just to name a few. They can accessorize at Cartier or Chopard, pick up a handbag at Louis Vuitton, or peruse the latest fashions at Max Mara and Hugo Boss, where a suit costs close to a thousand dollars. Such high-end shopping extends to cars, restaurants and home furnishings too. One recent, well-traveled visitor commented that Casablanca was the only place he had been where he had seen a Lamborghini, a Porsche and an Aston Martin all in one day. Another observer finds it striking that one can stroll by Cartier and streets lined with late-model Mercedes, then pass donkey carts and shantytowns in a few easy blocks.

3. (SBU) The media have presented the proliferation of high-end products as an indication that Casablangans - and Moroccans more generally - have arrived. In a report on the boom in luxury boutiques, Morocco's largest TV station, 2M, showed a man boasting of buying his wife a USD 200,000 Porsche for her birthday. The piece made the point that Moroccans no longer have to travel to Europe to buy luxury goods, as they can get the same items for the same price - or less - in Morocco, with the advantage of paying in Moroccan dirham.

4. (U) An article in the January 2008 issue of the monthly Economie et Entreprises suggests that luxury is actually a new sector. The article sites the fact that the High Commission for Planning (HCP) has recently launched a new cost-of-living index that includes products other than the standard basics as evidence of a new generation of Moroccan consumers 'hungry for luxury products' and a certain level of comfort. The article lauds Morocco's booming economic environment, naming a multitude of dynamic sectors including real estate, telecommunications, energy and banking, and declares

that 'dazzling growth' and increased salaries have given rise to a new class of luxury consumers.

THE RICH GET RICHER...

¶15. (SBU) Most Casablancans, however, do not view the explosion of high-end consumption as an indication that the average citizen's purchasing power has increased, but rather as evidence that the rich are getting richer. As Khalid Oudghiri, former CEO of Attijariwafa Bank, admitted in a meeting in his office last March, the wealthy benefit more from Morocco's growth and the real estate boom than the majority of people, who do not benefit at all. A long-time resident of Casablanca seconded this view, saying that four to five percent of the population controls 60 percent of the wealth.

¶16. (SBU) Given such inequity, average Casablancans find the rise in luxury consumption troubling for several reasons. First, consumerism has become more conspicuous. One ex-resident of the city said

wealthy Casablancans used to shop abroad, bringing back goods discretely in their cars. Nowadays, they shop where everyone can see them. Second, the explosion of so many successful upscale ventures begs the question of where the money to support them comes from. Interestingly, most individuals asked had no answer. Some ventured to guess, offering privatization, increased tourism, or the availability of loans at reasonable interest rates as possible explanations. One resident noted that, unlike in the past, banks now offer loans for "anything" at interest rates close to five percent, down from 20 percent previously. To boot, they compete with one another, lowering rates further. In the absence of a clear explanation for Casablanca's newfound wealth, some hypothesized that money-laundering plays a role.

AND THE POOR GET RESTLESS

¶17. (SBU) Casablancans in general view the profusion of high-end consumption by a narrow segment of the city's population as a harbinger of social unrest rather than a sign of upward mobility. One called the phenomenon "quite distressing" and said it could only contribute to social tension. Another long-time resident maintains that Casablanca is a neglected city where King Mohamed VI puts little effort, particularly in poor areas. He contends that, "the poor are going to rise up if nothing's done." Others agree that the in-your-face displays of extreme wealth in Casablanca only serve to highlight the growing disparity between rich and poor.

¶18. (SBU) Comment: While a fortunate few live the high life in cosmopolitan Casablanca, the have-nots still outnumber the haves by a wide margin. The fact that the GOM subsidizes basic commodities such as bread and sugar to avoid unrest indicates that it is aware that the situation is tenuous. Continued efforts to provide education, training and employment to Casablancans remain key to distributing the benefits of the economic boom more broadly and damping social tension. End Comment.

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